



September 5, 2008

BY HAND-DELIVERY

Mary L. Cottrell, Secretary
Department of Public Utilities
One South Station, 2nd Floor
Boston, MA 02110

Re: Request to Increase Funding for Residential Efficiency Programs
Reply Comments of Fitchburg Gas and Electric Light Company

Dear Secretary Cottrell:

Please accept this letter as the Reply Comments of Fitchburg Gas and Electric Light Company d/b/a Unitil ("Unitil") in this matter, as provided in the Hearing Officer's Memorandum of August 27, 2008.

In comments filed with the Department of Public Utilities in D.T.E. 05-53, D.P.U.08-30 on August 25, 2008, the Attorney General raised several concerns which touch upon aspects of Unitil's August 15 filing:

1. In Section II B. of her comments, the Attorney General argues that Unitil "did not identify a value for the additional dollars that they propose to spend on energy efficiency programs that target heating end-uses." The Department of Public Utilities' ("Department") letter, dated July 25, 2008, requested that the Program Administrator's (PA) proposals include "revised 2008 program budgets." Unitil submitted revised 2008 program budgets as part of its proposal, which reveal, when compared to its original filing (see D.P.U. 08-30, 2008 Energy Efficiency Plan, Table II-2), the specific value for the additional dollars that the company proposes to spend on energy efficiency programs that target heating end-uses. These amounts are:

Electric non-low income sector: \$67,339 increase
Electric low income sector: \$43,292 increase

Gas non-low income sector: \$25,000 increase
Gas low income increase: \$27,000

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2. The Attorney General comments that Unitil's proposal "also fails to discuss constraints on program expansion." The Department's July 25 letter requested that company proposals should include "the constraints that limit the additional dollars the company projects it could spend cost-effectively." Unitil's proposal discusses how it developed the proposed revised budgets, taking into consideration current program status and the ability of our Low-Income Program vendor to complete additional work within the 2008 program year. No additional constraints were identified. Unitil developed its proposed revised program budget based on its understanding of these limitations to ensure the proposed additional funds could be spent cost-effectively.

3. The Attorney General also comments that Unitil's proposal did not provide monetary savings that additional participants were expected to realize on monthly bills and the effect on program cost-effectiveness the proposal will have. Unitil's proposal provides an estimate of monthly bill impacts in the form of "Typical Monthly Savings" in kWh and therms based on historic data from actual program activity. This presentation of the monthly savings is how the company presents such savings in its program filings, as actual dollar savings are dependent on many external factors (e.g., energy supply costs, installed measure mix). However, in an attempt to more directly respond to the Attorney General's concern, the following dollar savings estimates are provided:

Applying the current average cost of \$0.2027 per kWh for a typical residential Unitil customer to the 50 – 1,000 kWh per month savings experienced by program participants, potential saving range between \$10.14 and \$202.70 per month for electric customers. For gas customers, the range of savings is between 1 and 125 therms per month. Using the current average cost for a typical Unitil residential customer of \$2.1837 per therm, potential savings will range between \$2.18 and \$272.96 per month for participating gas customers. These ranges are estimates, subject to many factors and actual savings could be more or less. Similarly, the Department's letter required PA's to provide "the effect on the cost-effectiveness of the applicable programs" and did not specifically ask the PA's to go through the rigorous program screening process used when developing program filings. Subsequent to Unitil's August 15, 2008 filing the Department requested this additional detail and the Company has submitted revised Appendix A,

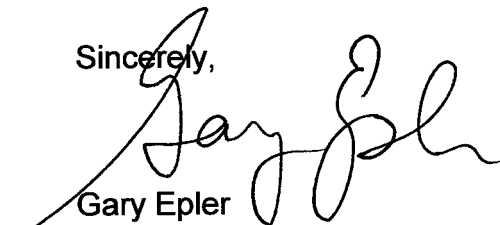
Tables A-1 through A-4, and Appendix B, Tables B-1 through B-4 providing updated program cost benefit ratios.

4. Unitil disagrees with the Attorney General's assertion that the Company's proposal to recover its incremental energy efficiency costs must be subject to a hearing before the Department under G L. c. 164, § 94 to establish whether rates are just and reasonable rates. Unitil submits that its proposal is consistent with the Department's longstanding policy of allowing the recovery of energy efficiency costs outside of base rate proceedings as part of demand side management programs.

5. Lastly, the Attorney General requests that the Department reject Unitil's proposed tariffs given the lack of data to demonstrate the increase in charges proposed and quantify customer impacts. The proposed tariff page submitted by Unitil was in response to the Department's request for a proposed mechanism for recovery of incremental expenditures. The detail that the Attorney General argues is lacking, such as the increase in charges, customer impacts, and quantification of LBR, will be included in Unitil's 2009 Energy Efficiency Plan filing on December 1, 2008.

Unitil appreciates the opportunity to submit these reply comments. Please do not hesitate to contact me if you have any additional concerns or questions.

Sincerely,



Gary Epler
Attorney for Unitil

cc: Benjamin Spruill, Hearing Officer